

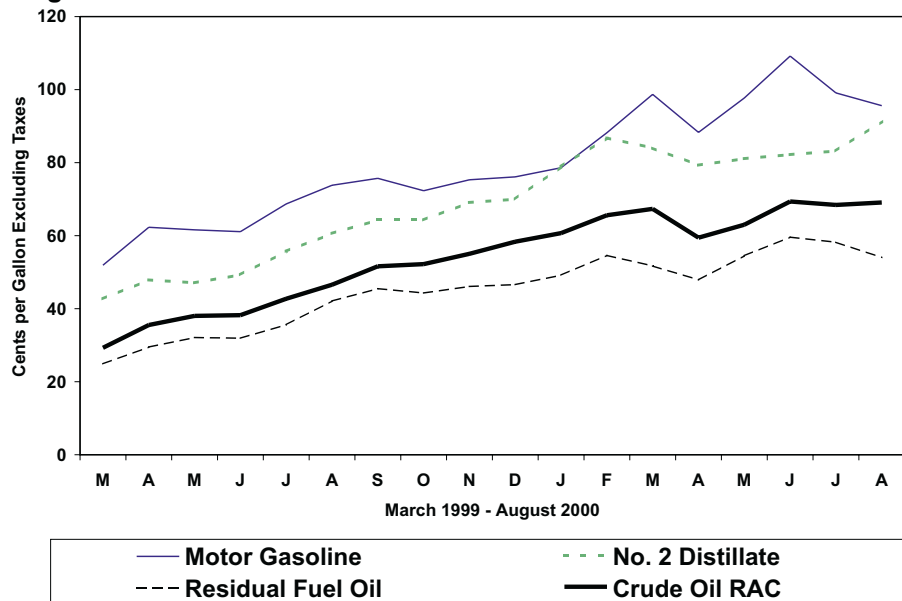
# Highlights

Pressured by deepening concern about a number of fundamental factors, world crude oil prices rose decisively during August. In addition to continuing sensitivity to production and export rates from Organization of Oil Exporting Countries (OPEC), adequate supplies of finished products in key markets played a principal role behind escalating crude oil prices. More specifically, below average stocks of heating fuels in Atlantic Basin markets just prior to the winter heating season served to heighten sensitivity to developments perceived as adverse to market stability. Coming on the heels of short supplies of gasoline during the high demand "driving season" in North America, the lingering thinness of distillates stocks has affected prices throughout the petroleum products complex. Comments from OPEC's president, Ali Rodriguez, included a statement that a production increase would likely not come before the group's quarterly meeting on September 10. The group informally agreed in June to employ a price band mechanism, wherein the price for a barrel of crude oil based on a reference basket of seven crude oil streams must remain above \$28 for at least twenty consecutive days before they would implement a 500,000 barrel-per-day production increase. The reference price exceeded the \$28-mark as of August 14. Under these terms, if the price dropped below the mark on, or before September 8, they would not activate the production increase. At different points during the month, the United States, Japan, the European Union, and Australia each articulated concern about continuing high prices. In response to the high market prices, Saudi Arabia unofficially indicated at the end of August that it would lobby other OPEC members to increase wellhead production

above the 500,000 barrel per day allotment, if necessary. It also expressed a willingness to raise output alone if other group members were unable or unwilling to increase production.

In the United States, August crude oil and finished product prices increased significantly under pressure from a combination of factors. Low stock levels of crude oil and finished products, mixed messages from international oil producers, reactionary markets, refinery outages, and the threat of hurricanes along the Gulf Coast and in the Caribbean all contributed pressure on prices. Along with the uncertainty surrounding OPEC production quotas, U.S. stocks of crude oil and No. 2 distillates remain markedly below average at the national level and provided the foundation for a steady increase in prices. More specifically, data for August 2000 show stocks of distillate fuel oil in New England

**Figure HL1. Crude Oil and Petroleum Product Wholesale Prices**



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

**Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products**

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	August 2000		July 2000		August 1999		August 2000		July 2000		August 1999	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	109.3	63.9	116.2	62.6	86.4	61.4	96.6	318.1	99.1	314.3	74.1	308.2
<b>Conventional</b> .....	104.7	38.4	113.2	37.5	82.3	37.1	91.8	212.6	94.7	213.7	70.4	207.1
Regular .....	101.3	29.1	110.0	28.6	78.5	26.3	90.1	173.0	93.1	175.1	68.4	158.9
Midgrade .....	112.1	5.3	120.2	5.1	88.6	5.9	95.9	13.6	99.1	13.1	74.1	15.6
Premium .....	119.9	4.1	127.5	3.8	95.3	4.9	100.8	26.0	104.0	25.5	78.0	32.5
<b>Oxygenated</b> .....	114.9	1.9	112.0	1.9	92.8	1.9	104.2	7.6	102.3	7.2	79.9	5.3
Regular .....	112.7	1.6	109.4	1.6	91.1	1.6	103.4	5.9	101.4	5.7	79.5	4.2
Midgrade .....	121.9	0.2	120.8	0.2	97.3	0.2	102.5	1.1	100.9	1.0	77.5	0.8
Premium .....	131.4	0.1	129.8	0.1	105.1	0.1	115.8	0.5	115.0	0.5	88.8	0.4
<b>Reformulated</b> .....	116.2	23.6	121.4	23.2	92.8	22.3	106.3	97.9	109.0	93.4	81.7	95.8
Regular .....	112.3	16.9	117.7	16.6	88.9	15.4	103.6	71.5	105.9	68.3	78.7	66.4
Midgrade .....	122.4	3.5	127.3	3.4	98.0	3.6	110.5	8.7	114.9	8.4	85.8	10.3
Premium .....	129.8	3.2	135.0	3.1	105.1	3.3	115.0	17.7	118.7	16.6	89.8	19.0
<b>Aviation Gasoline</b> .....	NA	0.3	142.1	0.1	113.2	0.2	132.1	0.8	139.3	0.8	107.6	0.8
<b>Kerosene-Type Jet Fuel</b> .....	88.8	51.5	84.1	53.3	59.8	48.7	87.7	14.5	83.6	15.5	59.1	15.7
<b>Propane (Consumer Grade)</b> .....	55.6	3.8	55.2	2.2	43.1	4.9	60.2	33.4	54.9	27.6	38.3	28.3
<b>Kerosene</b> .....	96.5	0.1	90.1	0.1	63.9	0.2	90.5	2.1	83.1	1.9	59.6	1.4
<b>No. 1 Distillate</b> .....	94.2	0.2	92.2	0.1	68.2	0.1	100.8	0.5	89.8	0.3	69.1	0.6
<b>No. 2 Distillate</b> .....	93.4	26.3	87.5	24.1	63.5	24.6	91.3	128.9	83.2	113.6	60.7	115.8
No. 2 Fuel Oil .....	90.8	2.7	84.7	2.4	59.0	3.1	88.3	21.5	81.0	15.8	56.2	18.3
No. 2 Diesel Fuel .....	93.7	23.6	87.8	21.6	64.1	21.6	91.9	107.4	83.5	97.8	61.6	97.5
Low Sulfur .....	95.5	16.2	90.1	14.2	66.2	14.6	92.5	92.8	83.9	85.3	62.1	84.2
High Sulfur .....	89.6	7.4	83.5	7.4	59.8	7.0	88.0	14.6	81.5	12.5	58.1	13.3
<b>No. 4 Fuel<sup>a</sup></b> .....	69.5	0.2	63.6	0.1	50.6	0.3	68.9	0.1	71.6	0.0	49.4	0.1
<b>Residual Fuel Oil</b> .....	57.8	13.7	60.3	12.0	43.9	13.0	54.0	10.8	58.2	9.9	42.7	9.3
Sulfur Content not > 1 % .....	67.0	3.4	69.7	2.8	45.7	4.0	61.5	5.0	65.1	5.1	44.8	5.2
Sulfur Content > 1 % .....	54.7	10.3	57.5	9.2	43.1	9.0	47.6	5.9	50.8	4.7	40.1	4.1

NA = Not available.

<sup>a</sup> Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

were at approximately one third of their August 1999 level. In the Central Atlantic region, inventories stood at about half last year's level. The heavy emphasis on producing gasoline in recent months has come at the expense of distillate production and replenishment of stocks. High prices for natural gas and refinery outages have also affected distillate prices in various regional markets, but particularly so on the West Coast. The Los Angeles spot market price CARB diesel fuel surged to its highest level in 4 years with a price of \$1.26 per gallon on August 29. Many factors spurred the high price: short supplies, higher utility demand stemming from a shortage of natural gas due to an explosion on a major supply line in New Mexico, solid demand for jet fuel and other distillates in Asian markets, and facilities problems that forced refiners into the market. For many of the same reasons, CARB regular gasoline repeatedly set record highs at the end of the month, closing

August with an all-time high of \$1.50 per gallon. At the New York Harbor spot market, major product prices continued to show significant differences between current month and year-ago rates. The monthly average spot price for West Texas Intermediate (WTI) crude oil last August was \$21.28 per barrel, while the August 2000 average price was \$31.26 per barrel, a 46.9 percent difference. The price for conventional regular gasoline averaged 63.9 cents per gallon last year and 87.2 cents per gallon this year. The average price for No. 2 heating oil was 54.8 cents per gallon in August 1999 and 87.3 cents per gallon in August 2000, a 63 percent change.

Additional August market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

## Crude Oil

The trend during August for the daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma highlights the unsettled atmosphere in crude oil markets and the effects of ongoing low stockpiles. Opening at its lowest level for the month, \$27.50 per barrel, the price moved up steadily during the coming weeks. It reached the high of \$34.01 on August 25 following bullish inventory data reported earlier in the week, concerns about Hurricane Debby, and comments from OPEC officials. Easing slightly at the end of the month, the price closed August at \$33.09 per barrel, \$5.59 higher than its beginning level.

- Monthly average crude oil prices generally rose during August. The average domestic crude oil first purchase price increased \$1.26 (4.7 percent), to \$28.09 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose 80 cents (3.0 percent), to \$27.35 per barrel. The average landed cost of foreign crude oil increased 16 cents (0.6 percent), to \$28.52 per barrel.
- The average refiner acquisition cost for domestic crude oil shows the only decrease, falling 55 cents (1.8 percent), to \$29.36 per barrel. The average cost of imported crude oil to U.S. refiners rose 79 cents (2.8 percent), to \$28.81 per barrel. The composite refiner acquisition cost for crude oil increased 29 cents (1.0 percent), to \$29.02 per barrel.

## Petroleum Products

### *Motor Gasoline*

Following the general trend of the market, the daily spot price for regular gasoline at New York Harbor rose during August. Opening at 86.0 cents per gallon, the price eased during the first week of the month, before reaching the low of 77.8 cents per gallon on August 7. Continued accounts of refinery outages and reports showing inventory declines drove the price higher during the remainder of the month. The price closed August at its highest point, 96.0 cents per gallon, 10 cents higher than where it began the month.

- National average gasoline prices eased again during August. The average price for retail sales of motor

gasoline by refiners fell 6.9 cents to \$1.093 per gallon, while the average wholesale price declined 2.5 cents to 96.6 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets dropped 6.8 cents to \$1.084 per gallon. The average wholesale price declined 2.4 cents to 97.2 cents per gallon. The average dealer tank wagon (DTW) price fell 4.1 cents to \$1.055 per gallon, while the average rack price declined 1.7 cents to 94.5 cents per gallon. The average price for bulk sales fell 2.5 cents to 89.5 cents per gallon. Reformulated gasoline prices exceeded conventional gasoline prices by 9.5 cents at retail and 13.5 cents at wholesale. The difference between conventional and oxygenated gasoline prices was 9.1 cents at retail and 10.5 cents at wholesale.

- Gasoline sales by refiners generally rose during August. Total sales increased 5.1 million gallons per day (1.4 percent), to an average of 382.0 million gallons per day. Retail sales climbed 1.3 million gallons per day (2.1 percent), while wholesales rose 3.8 million gallons per day (1.2 percent). Rack sales accounted for 65.7 percent of wholesales, while DTW and bulk sales made up 22.2 percent and 12.1 percent, respectively. Reformulated gasoline (RFG) defined 31.8 percent of total motor gasoline sales, while oxygenated gasoline accounted for 2.5 percent.

### *No. 2 Distillate*

The August daily spot price for No. 2 heating oil at New York Harbor reflected increased market interest in this product due to very low inventories, especially in critical regional markets. Opening at 77.8 cents per gallon, the price continued to rise solidly as weekly stocks reports showed little change supply levels during the month. It reached its maximum on \$1.010 on August 28, the highest level seen since February's record-breaking prices. Easing slightly by the end of the month, the price closed August at 98.3 cents per gallon, 20.5 cents above its starting level.

- August monthly average No. 2 distillate prices show solid increases in all categories of sales. The national average residential price rose 4.0 cents to \$1.192 per gallon. The average wholesale price increased 7.8 cents to 91.4 cents per gallon. The average price for No. 2 diesel fuel climbed 4.2 cents at company-operated retail outlets, while the average wholesale price increased 8.2 cents. The difference between low- and high-sulfur diesel fuel prices was 2.9 cents at retail and 3.9 cents at wholesale.

- Refiner sales of No. 2 distillates jumped during August. Total sales of No. 2 distillate increased 17.6 million gallons (12.8 percent), to 155.2 million gallons per day. Sales of No. 2 fuel oil rose 6.0 million gallons per day (33.0 percent), while sales of No. 2 diesel fuel climbed 11.6 million gallons per day (9.7 percent). Low-sulfur diesel fuel constituted 83.2 percent of all refiner diesel fuel sales, and 70.2 percent of all refiner No. 2 distillate sales.
- Residual fuel oil sales by refiners generally increased during August. Total sales rose 2.6 million gallons per day (11.9 percent), to 24.5 million gallons per day. Low-sulfur residual fuel sales increased 500,000 gallons per day (6.3 percent), while high-sulfur residual fuel oil sales climbed 2.3 million gallons per day (16.5 percent).

### ***Residual Fuel Oil***

- Monthly average residual fuel oil prices declined in all categories during August. Refiner prices for low-sulfur residual fuel fell 2.7 cents to 67.0 cents per gallon at retail, and 3.6 cents to 61.5 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail dropped 2.8 cents to 54.7 cents per gallon, while the wholesale price fell 3.2 cents to 47.6 cents per gallon. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price decreased 1.4 cents to 64.4 cents per gallon at retail, and 3.3 cents to 60.9 cents per gallon at wholesale. Prices for high-sulfur residual fuel oil fell 2.1 cents to 56.2 cents per gallon at retail, and 3.7 cents to 49.0 cents per gallon at wholesale.
- The direction of prices for the remaining surveyed products varied in August. Refiner propane prices increased 0.4 cent per gallon at retail and 5.3 cents at wholesale. Including data from a sample of propane marketers, the average residential propane price declined 2.1 cents per gallon. The average retail price for propane fell 1.7 cents, while the wholesale price climbed 4.8 cents per gallon. Prices for kerosene-type jet fuel, kerosene, and No. 1 distillate rose at both levels. Aviation gasoline prices declined at retail and wholesale, while No. 4 distillate prices increased at retail but fell at wholesale.
- Refiner sales of these products generally rose during August. Sales of propane, No. 1 distillate, No. 4 distillate, aviation gasoline, and kerosene increased at retail and wholesale. Sales of kerosene-type jet fuel decreased at both levels.

### ***Other Products***